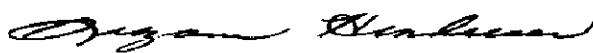


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OIL AND GAS LEASE
(City of Kennedale Lease)

This Oil and Gas Lease (this "Lease") is made on this 1st day of July, 2010, between the City of Kennedale, Texas (hereafter called "Lessor," whether one or more), whose address is 405 Municipal Drive, Kennedale, Texas 76060 and Carrizo Oil & Gas, Inc., (hereafter called "Lessee"), whose address is 1000 Louisiana Street, Suite 1500, Houston, Texas, 77002, (collectively, hereafter called the "Parties").

1. **Grant.** In consideration for good and other valuable consideration, Lessor grants and leases exclusively unto Lessee Lessor's interest in the tract of land in Tarrant County, Texas, more particularly described in attached Exhibit "A" (the "Land"), for the sole purpose of drilling and producing oil and gas, laying pipelines and building roads and tanks thereon to produce, save, treat, process, store, and transport oil and gas and other products manufactured from oil and gas produced from the Land.

2. **Primary Term.** This Lease is for a term of **Two (2)** years from this date (called "Primary Term") and so long thereafter as oil or gas is produced from the Land in paying quantities.

3. **Minerals Covered.** This Lease covers only oil and gas, including other liquid and gaseous hydrocarbons, as well as such other minerals or substances as may be produced incidental to and as a part of or mixed with oil, gas and other liquid or gaseous hydrocarbons, produced through the borehole only, but this Lease does not cover sand, gravel, uranium, fissionable materials, coal, lignite or any hard minerals or substances of any type which shall be produced from the Land separate and apart from, or independently of, oil, gas or other liquid and gaseous hydrocarbons.

4. **Royalty.**

(a) As royalties, Lessee agrees:

(1) To deliver free of cost to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected, 25% (the "Royalty Fraction") of all oil and other liquid hydrocarbons produced and saved from the Land. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons of like grade and gravity prevailing on the day the oil and other hydrocarbons are run from the Lease in the general area in which the Land is located.

(2) To pay to Lessor:

On gas produced from the Land and sold by Lessee or used on or off the Land and to which the following subparagraphs (ii) and (iii) do not apply, the Royalty Fraction of the market value at the point of sale, use, or other disposition.

On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the higher of the Royalty Fraction of the market value of the gas at the inlet to the processing plant, or the Royalty Fraction of the market value of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the market value at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

(b) The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition the oil or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, or marketing, then the reimbursement or the deductions will be added to the total proceeds received by Lessee. Royalty will be payable on oil and gas produced from the Land and consumed by Lessee on the Land for compression, dehydration, fuel, or other use.

(c) If gas produced from the Land is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 4(b) above.

(d) Lessor's royalty will never bear, either directly or indirectly, any part of the costs or expenses of production, separation, gathering, dehydration, compression, transportation, trucking, processing, treatment, storage, or marketing of the oil or gas produced from the Land or any part of the costs of construction, operation, or depreciation of any plant or other facilities or equipment used in the handling of oil or gas.

(e) Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is

subsequently produced, Lessor will only receive its Royalty Fraction of any payments made for make-up gas taken pursuant to the take or-pay provision or similar provision.

(f) Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 120 days after completion of the well, in the case of an oil well, or after the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this Lease shall not be affected by any division order or the provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute.

(g) As used in this Lease, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns more than ten percent of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.

(h) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all time hold the proceeds in trust for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

5. **Shut-in Royalty.** While there is a gas well on this Lease or on acreage pooled therewith capable of producing gas in paying quantities, but gas is not being sold, Lessee shall pay or tender in advance an annual shut-in royalty equal to Dollars (\$0.00) per acre for each well from which gas is not being sold. Payment with respect to a well will be due within 60 days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. The right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to the period of two years that immediately follow the expiration of the Primary Term. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date.

6. **Continuous Drilling.** (a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land, but Lessee has commenced the drilling of a well on the Land, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with due diligence with no cessation of more than 90 days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For

the purposes of this Lease, the term "operations" is strictly defined as the period of time the well is spudded with appropriate equipment on site to drill to the depth indicated on the drilling permit to the time the drilling rig is released from the drill site.

(b) If this Lease is maintained beyond the expiration of the Primary Term by production or otherwise, it will remain in force as to all acreage and depths as long as there is no lapse of more than two years between the completion of one well and the commencement of the actual drilling of another well. The commencement of actual drilling means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, drilling operations must continue in a good and workmanlike manner in a good faith effort to reach the anticipated total depth with no cessation of operations for more than 90 consecutive days. A well will be deemed to have been completed on the date of completion as shown on the completion report filed with the Railroad Commission of Texas, or 90 days after the release of the drilling rig, if sooner. The permitted time between wells shall be cumulative so that if a well is commenced prior to the date it is required to be commenced; the number of days prior to the date on which the well should have been commenced shall be added to the time permitted for the next well.

(c) If at any time the maximum time for the commencement of the actual drilling of a well expires without the commencement of the well, or upon the expiration of the Primary Term if the Lease is not maintained by continuous drilling, this Lease will terminate except as to the Retained Tract (defined below) surrounding any well that is then producing in paying quantities or deemed to be producing in paying quantities by virtue of payment of shut-in royalties, and as to each Retained Tract, the Lease will then terminate as to all depths below the stratigraphic equivalent of the base of the deepest producing formation on the Retained Tract. The Lease will be treated as a separate lease with respect to each Retained Tract and will continue so long as production in paying quantities continues from the tract. If production from a Retained Tract ceases from any cause, this Lease will terminate as to that tract unless Lessee commences operations for drilling or reworking on the tract within 90 days after the cessation of production, in which case the Lease as to that tract will continue in force as long as the operations are prosecuted with no cessation of more than 90 consecutive days, and if they result in production, so long thereafter as there is production from the tract.

(d) As used in this Lease, the term "horizontal well" means a well that meets the definition of a "horizontal drainhole well" under Statewide Rule 86 of the Railroad Commission of Texas, and a "vertical well" is a well that is not a horizontal well. The land assigned to a well for the purposes of this Paragraph is referred to as a "Retained Tract." A Retained Tract for a well may not exceed the minimum size required to obtain a drilling permit under the well density rules adopted by the Railroad Commission of Texas for the field, or if there are no field rules that apply, the Retained Tract shall be limited to the smallest size required to obtain a drilling permit under the statewide well density rules of the Railroad Commission of Texas. A Retained Tract for a vertical well producing from the Barnett Shale formation may not exceed 40 acres. If field rules are established later that permit obtaining a drilling permit with less acreage, a Retained Tract for a vertical well may not exceed the minimum size permitted. A Retained Tract for a horizontal well may include the minimum acreage specified above for a vertical well plus the additional acreage listed in the tables in Rule 86 and must comply with the requirements of Rule

86 for minimum permitted well density, and if the well is producing from the Barnett Shale formation, the acreage of the Retained Tract shall be assigned as if well density for vertical wells is 40 acres or less. Lessor and Lessee must agree upon the shape of the Retained Tracks with the intent that each will be a compact, regular shape that will provide Lessor with the maximum acreage available for oil and gas development. Subject to the preceding sentence, Lessor's approval of the shape of Retained Tracks shall not be unreasonably withheld.

(e) Within 60 days after the last to occur of the expiration of the Primary Term or the continuous drilling program, Lessee must file in the county records and a document designating each Retained Tract by metes and bounds and the retained depths thereunder, and releasing all other depths and acreage. A gas well that becomes an oil well will hold only the acreage permitted for an oil well, and Lessee must file a redesignation of the Retained Tract in the Real Property Records of the county where the Land is located. If Lessee fails to file timely a document required by this paragraph after Lessor has provided 30 days prior written notice, then Lessor may do so, and the filing will bind Lessee.

7. **Pooling.** Lessee may pool the Land with contiguous acreage to form pooled units for the production of oil or gas. The acreage in a pooled unit may not exceed the amount that would be permitted for a Retained Tract composed of acreage lying entirely within the Land. The unit will become effective when Lessee files in the Real Property Records where the Land is located a document describing the pooled acreage and depths for the pooled unit, and Lessee shall make a copy of the document available to Lessor. Lessee may at its election exercise its pooling option before or after commencing operations. Operations for drilling on or production of oil or gas from any part of a pooled unit that includes land covered by this Lease shall be considered as operations on or production of oil or gas from the portion of the Land included in the pooled unit. That part of the Land included in a pooled unit will be considered to be a Retained Tract, and the provisions of this Lease that provide for termination of the Lease insofar as the Lease covers depths below the base of the deepest producing formation and other provisions relating to Retained Tracts shall apply. There shall be allocated to the Land included in the unit that prorated portion of the oil and gas, or either of them, produced from the pooled unit that the number of surface acres of the Land included in the unit bears to the total number of surface acres included in the unit. Royalties shall be computed on the portion of production allocated to the Land. Any unit formed may not be amended without the written consent of Lessor. No part of the Land may be included in a pooled unit unless all of the land that is not in a Retained Tract for a producing well is included in the unit.

8. **Offset Wells.** Lessee must completely protect the oil and gas in and under the Land, or such portions thereof as may be in force and effect from time to time, from drainage by wells on adjoining or adjacent lands or leases. Lessee must drill as many wells as are necessary and to the depth or depths necessary for complete protection against drainage from said adjacent land or leases. Lessee is obligated to protect the Land from drainage by wells drilled on other lands of Lessor to the same extent as though such draining wells were drilled on lands belonging to third parties. Neither the royalties nor shut-in gas well rentals paid or to be paid hereunder may relieve Lessee from the obligations herein expressed, nor shall the provisions of this Paragraph relieve Lessee of any implied duties or obligations arising under this Lease.

Notwithstanding the foregoing, but not limiting the foregoing, in the event a well producing oil or gas in paying quantities is now or hereafter completed within 330 feet of or draining the Land, Lessee must, within ninety (90) days after the later of the commencement of production from such well or the effective date hereof, commence the drilling or recompletion of a well on the Land and shall make a good faith effort to establish commercial production in the sand or horizon from which the offset well is producing. If at the time the offset obligation accrues a well on contiguous acreage pooled with the Land can be demonstrated to a reasonable person to be completely protecting the Land then no offset well obligation will be due. If at the time such offset obligation accrues, Lessee is engaged in the drilling of another well on contiguous acreage pooled with the Land, then Lessee has not more than one hundred twenty (120) days after the date of completion of such other well drilled by Lessee within which to commence the drilling of the well to protect against the offset well.

9. Secondary Recovery. Lessee will not implement any repressuring, pressure maintenance, recycling, or secondary recovery operations without the prior written consent of Lessor.

10. Surface Operations. (a) The Land is currently used for municipal purposes and notwithstanding anything to the contrary contained in this Lease no oil, gas or other drilling, production or transportation operations of any kind, including but not limited to the drilling, placement, or casing of any well, meter, pipeline, road or other structure shall take place or be situated upon the subject Land. No seismic operations shall be conducted upon the Land whatsoever without express written consent of Lessor. Lessee shall not be permitted any use of the surface lands for any purpose without the written consent of Lessor and Lessee shall have no rights to ingress and egress upon the surface of the leased premises.

(b) Lessee shall not have the privilege of using surface water from the Land. Water from Lessor's creeks, tanks, or wells may not be used by Lessee. If Lessor consents to the drilling of a water well by Lessee, Lessor shall have free use of water produced from the well at all times the well is not being used by Lessee. When the water well is no longer being used by Lessee, it shall tender the well and all related equipment to Lessor, free of cost.

11. Assignments. This lease cannot be assigned without Lessor's prior written consent which Lessor's consent shall not be unreasonably withheld; provided, however, consent to any assignment shall not constitute consent to any other assignment. Any assignment made without Lessor's consent shall be void and shall constitute a material breach of this lease. Lessee must furnish Lessor a copy of any assignment made pursuant to this Paragraph, with the recording data reflected thereon. Assignment of this lease or any part thereof shall not relieve Lessee, its assignees or any successor of any obligations hereunder theretofore accrued; and any assignee of Lessee must, by acceptance of such assignment, be bound by all terms and provisions hereof. The term "assignment," as used herein, must include, without limitation, any assignment, sublease, farmout, operating agreement, pooling agreement, unitization agreement, assignment, or any other agreement by which any share of the operating rights granted by this lease are assigned or succeeded to, or agreed to be assigned or succeeded to, to any other party.

The provisions hereof shall extend to the benefit of and be binding upon the heirs, executors, administrators, successors, and assigns of the respective parties hereto. No changes or division in the ownership of the land, rentals or royalties shall be binding upon Lessee for any purpose until Lessee has been furnished with the instrument or instruments, or copies thereof, constituting the chain of title from the original Lessors.

12. **Force Majeure.** If, while this lease is in force, at or after the expiration of the primary term, Lessee's drilling operations are delayed by reason of Lessee's inability to obtain fuel for operations or prohibition from entering the Land, then all provisions contained herein providing for the termination of this lease, in whole or in part, upon cessation of continuous drilling operations shall be extended until thirty (30) days after the removal of such delaying cause; provided, however, that Lessee must give written notice to Lessor of the existence and cause of such delay within fifteen (15) days thereafter. Other than the foregoing, no force majeure type provision is applicable to this lease. This Lease and any obligation hereunder may not be extended by more than two years in the cumulative by reason of Force Majeure.

13. **No Warranties.** Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately.

14. **Curing Defaults.** Should Lessee at any time fail to comply with its obligations hereunder regarding construction, maintenance, or repair within 30 days after written notice from Lessor, Lessor will have the right to do or have done whatever is necessary to fulfill the obligations to its satisfaction, and Lessee shall be liable to Lessor for the reasonable and necessary expenses thus incurred by Lessor, to be paid within ten days after Lessor furnishes to Lessee an itemized written statement of the expenses.

15. **Notices.** All notices will be deemed given and reports will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown for each party. Any party may designate a new address by proper notice to the other party or parties.

16. **Attorney's Fees and Costs.** In the event that Lessor is required to employ legal counsel for the enforcement of any provision of this Lease and prevails, Lessor will be entitled to recover from Lessee reasonable attorney's fees and expenses incurred by Lessor.

17. **Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the Land, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation. The coverage shall be in the minimum amount of \$5,000,000.

18. Indemnity. Lessee herein shall be solely responsible for full compliance with all rules and regulations of the Railroad Commission of Texas, or any other governmental agency, in all of its operation on the Land and especially including the proper plugging of any well that is to be abandoned on the Land, and does hereby indemnify and agree to hold Lessor harmless against any such rules and regulations. **LESSEE SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE INDEMNIFIED PARTIES (AS HEREINAFTER DEFINED) FROM ANY AND ALL LIABILITY, LIENS, DEMAND, JUDGMENTS, SUITS AND CLAIMS OF ANY KIND OR CHARACTER ARISING OUT OF, IN CONNECTION WITH, OR RELATING TO ANY OPERATION OR ACTIVITY CONDUCTED BY LESSEE, OR ITS AGENTS, CONTRACTORS, EMPLOYEES, LICENSEES OR INVITEES, ON OR UNDER THE LAND INCLUDING BUT NOT LIMITED TO CLAIMS FOR INJURY OR DEATH OF ANY PERSONS OR DAMAGE, LOSS OR DESTRUCTION OF ANY PROPERTY, REAL OR PERSONAL, UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY OR OTHERWISE. LESSEE FURTHER COVENANTS AND AGREES TO DEFEND ANY SUITS BROUGHT AGAINST ANY OF THE INDEMNIFIED PARTIES ON ACCOUNT OF SAID CLAIMS AND TO PAY ANY JUDGMENTS AGAINST ANY OR ALL OF THE INDEMNIFIED PARTIES RESULTING FROM ANY SUCH SUIT OR SUITS, TOGETHER WITH ALL COSTS AND EXPENSES RELATIVE TO ANY SUCH CLAIMS, INCLUDING BUT NOT LIMITED TO ATTORNEY'S FEES. EACH OF THE INDEMNIFIED PARTIES SHALL HAVE THE RIGHT TO PARTICIPATE IN THE DEFENSE OF ANY SUIT OR CLAIM IN WHICH THEY (OR ANY OF THEM) MAY BE A PARTY WITHOUT RELIEVING LESSEE OF ITS OBLIGATIONS HEREUNDER.** THE FOREGOING INDEMNITY AND ALL OTHER INDEMNITIES OF LESSEE CONTAINED IN THIS LEASE SHALL SURVIVE ANY TERMINATION OF THIS LEASE AND SHALL INURE TO THE BENEFIT OF LESSOR AND EACH OF THE INDEMNIFIED PARTIES. AS USED IN THIS LEASE, THE TERM "INDEMNIFIED PARTIES" REFERS TO LESSOR AND ANY AND ALL OFFICERS, EMPLOYEES, AGENTS, TENANTS, AND INVITEES OF LESSOR.

19. Miscellaneous Provisions.

(a) In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall, within 60 days thereafter, furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

(b) Nothing in this Lease negates the usual implied covenants imposed upon Lessee.

(c) Lessee will conduct all operations hereunder in compliance with the rules of the Railroad Commission of Texas and federal and state environmental laws and regulations. Upon written request by Lessor, Lessee will give Lessor at least ten days prior notice in writing before conducting drilling, recompletion, or reworking operations on acreage pooled with the Land. Upon written request by Lessor, Lessee shall furnish to Lessor copies of applications to drill, daily drilling reports, well tests, completion reports, plugging records, and production reports. Lessor has the right, personally or by representative, at Lessor's risk, of access to the

derrick floor to observe all operations on all wells drilled on acreage pooled with the Land. Lessor will have the right to inspect and take samples of all cores and cuttings and witness the taking of all logs and drill stem tests. Lessee will divulge to Lessor correct information as requested by Lessor as to each well, the production therefrom, and such technical information as Lessee may acquire. Lessor has the right to be present when wells or tanks are gauged and production metered and has the right to examine all run tickets and to have full information as to production and runs and to receive copies of all run tickets upon request.

(d) The term "production" means production in paying quantities. No obligation of Lessee to pay money under this Lease will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document. Under no circumstances may Lessee, its agents, employees, or contractors bring firearms or dogs or other animals on the Land or hunt or fish on the Land. Upon written request by Lessor, Lessee agrees to furnish to Lessor a copy of each title opinion or report obtained by Lessee that covers all or any part of the Land together with a copy of each title curative document obtained by Lessee.

(e) Lessor shall have the right to inspect all records of Lessee relating to this Lease, operations conducted on the Lease, the sale and marketing of production from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing.

(f) No seismic or other geophysical operations may be conducted by Lessee without Lessor's prior written approval.

(g) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

(h) Upon 30 days' notice, Lessor shall have the right, no more often than once each calendar year, to call a meeting with Lessee and/or its permitted assigns to review Lessee's operations on the Land and to discuss Lessee's and/or its permitted assigns' then anticipated operations on the Land or acreage pooled therewith for the succeeding year.

(i) Lessee covenants and agrees to comply with the minimum rules and regulations of the City of Kennedale, including, but not limited to, Section 17-426 "Oil and Gas" of the Zoning Ordinance of the City of Kennedale, Texas (collectively the "Regulations"). In addition, Lessee acknowledges and agrees that this Lease does not constitute, and shall not contractually obligate the City Council or the Zoning Board of Adjustment of the City of Kennedale to grant a waiver or approval of any requirements set forth in the Regulations.

(j) Lessee agrees to abide by the terms and conditions of Lessee's bid for the right to lease the Land, as set forth in Exhibit "B" hereto, as if such terms and conditions were copied verbatim herein.

20. Environmental Protection Provisions.

Lessee represents, warrants, and covenants that, at all times during its possession of the Land or of any easements or areas retained under this lease:

- (1) The Land must never be used by Lessee for the generation, storage, or disposal of Hazardous Substances or as a landfill or other waste disposal site.
- (2) There must be no underground fuel storage tanks on the Land.
- (3) None of the equipment owned or used by Lessee on the Land may contain any polychlorinated biphenyls.
- (4) No Hazardous Substances or wastes exist in, on, or under the Land as a result of Lessee's operations to the best of Lessee's knowledge.
- (5) The Land is in full compliance with all Applicable Laws, as defined below, to the best of Lessee's knowledge.
- (6) There are no actions, suits, claims, or proceedings seeking money damages, injunctive relief, remedial action, or other remedy pending or threatened relating to (a) a violation or noncompliance with any Applicable Laws; (b) the disposal, discharge, or release of Hazardous Substances; or (c) exposure to Hazardous Substances or any other solid wastes, pollutants, chemical substances, noises, or vibrations to the extent the same will arise from any condition related to Lessee's ownership or use of the Land.
- (7) All necessary plans for development, applications, inspection reports, certificates, and other instruments required under any Applicable Law to be filed by Lessee in connection with the conduct of Lessee's use of the Land have been filed with the appropriate federal, state, and local governmental bodies, authorities, and agencies, and all permits, licenses, or other authorizations necessary for the lawful conduct of Lessee's use of the Land in compliance with all Applicable Laws have been obtained.
- (8) If violations of Applicable Laws with respect to the Land or Lessee's operations on the Land are found to exist, Lessor shall have the right and authority to notify any relevant public or governmental agency of the existence of such violations of Applicable Laws.
- (9) Lessee will not engage in and will not permit any other party to engage in any activity on the Land which would cause the Land to become a hazardous waste

treatment, storage, or disposal facility within the meaning of, or otherwise bring the Land within the ambit of, the Resource Conservation and Recovery Act of 1976, as amended, or any similar state law or local ordinance or other environmental law.

- (10) Except for Hazardous Substances originating from the subsurface of the Land (e.g. H2S, naturally occurring radioactive materials, and CO2), Lessee will not engage in and will not permit any other party to engage in any activity on the Land which would cause a release or threatened release of a Hazardous Substance from or to the Land within the meaning of, or otherwise bring the Land within the ambit of, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.
- (11) Lessee will not engage in and will not permit any other party to engage in any activity on the Land which would cause the discharge of pollutants or effluents into any water source or system, or the discharge into the air of any emissions, which would require a permit under the Federal Water Pollution Control Act or the Clean Air Act, or any similar state law or local ordinance or any other environmental law.
- (12) Lessee will not permit any substance or conditions in or on the Land which might support a claim or cause of action under RCRA, CERCLA, or any other federal, state or local environmental statute, regulation, ordinance or other environmental regulatory requirement.
- (13) If Lessee determines that a threat to the environment, including but not limited to a release, discharge, spill, or deposit of a hazardous substance has occurred or is occurring which affects or threatens to affect the Land, or persons, structures, equipment, or other property adjacent thereto, Lessee must immediately verbally notify: (1) Lessee, and (2) all emergency response centers and environmental or regulatory agencies, as required by law or regulation. Lessee must provide the City Manager of the City of Kennedale with written confirmation of the verbal report within 72 hours. Lessee agrees to cooperate fully with Lessee in promptly responding to, reporting, and remedying a threat to the environment, including the drainage systems, soils, groundwater, waters, or atmosphere, in accordance with applicable law or as authorized or approved by any federal, state, or local agency having authority over environmental matters.

"Applicable Laws" shall mean and include any and all existing or future laws, statutes, rules, regulations, and judicial interpretations thereof of the United States, of any state in which the Land, or any portion thereof, is located, and of any other governmental or quasi-governmental authority having jurisdiction, that relate to the prevention, abatement, and/or elimination of pollution and/or protection of the environment, including, but not limited to, the federal Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation or Recovery Act, the Clean Water Act, the Safe Drinking Water Act, the Toxic Substances Control Act, and the Hazardous Materials

Transportation Act, together with all state statutes serving any similar or related purpose. "Hazardous Substance" shall mean any substance regulated or covered by an Applicable Law except those necessary for oil and gas operations, which are subsequently removed from the Land within a reasonable period of time after necessary use in oil and gas operations.

21. **Binding on Successors and Assigns.** This Lease shall be binding on the parties hereto and their successors, assigns, heirs and legal representatives. Lessor represents and warrants that this Lease and Exhibits thereto have been approved and duly adopted by the City Council of the City of Kennedale, Texas in accordance with all applicable public meeting and public notice requirements (including, but not limited to, notices required by the Texas Open Meetings Act) and that the individual executing this Lease with the attached Exhibits on behalf of Lessor has been authorized to do so. Lessee represents and warrants that this Lease and Exhibits thereto have been approved by appropriate action of Lessee and that the individual executing this Agreement on behalf of Lessee has been authorized to do so.

Executed on the date first written above.

LESSOR: CITY OF KENNE DALE

By: Bob Hart

THE STATE OF TEXAS §

COUNTY OF TARRANT §

This document was acknowledged before me on JULY 7, 2010, by
BOB HART.

Kathy Turner
Notary Public, State of Texas



LESSEE: Correro Oil & Gas, Inc.

By: Andrew R. Agosto

ANDREW R. AGOSTO

Vice President

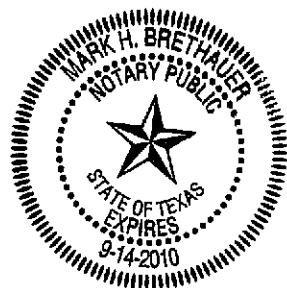
note

THE STATE OF TEXAS §

MARK H. BRETHAUER
COUNTY OF TARRANT §

This document was acknowledged before me on July 16, 2010, by

Andrew R. Agosto on behalf of said Corporation



Mark H. Brethauer
Notary Public, State of Texas

EXHIBIT "A"

**TRACTS 1H AND 1H01, E.C. CANNON SURVEY, ABSTRACT 378,
KENNEDALE, TARRANT COUNTY, TEXAS.**

**PROPERTY LOCATED AT: 1000 E. KENNEDALE PARKWAY
KENNEDALE, TEXAS 76060**

PROPERTY CONSISTS OF AN APPROXIMATE TOTAL OF 5 ACRES